

**SUMMIT MOSQUITO
ABATEMENT DISTRICT**

**Financial Report
December 31, 2005**

SUMMIT MOSQUITO ABATEMENT DISTRICT

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KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Duane C. Karren, CPA

R. Ted Stagg, CPA

Ray H. Allen, CPA

Danny L. Hendrix, CPA

Terry L. Green, CPA

G. John Runia, CPA

Robert L. Archuleta, CPA

Tim C. Rees, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Summit Mosquito Abatement District
Coalville City, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, of Summit Mosquito Abatement District, as of and for the year ended December 31, 2005, which collectively comprises the District's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, such basic financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the District as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Required Supplementary Budgetary Comparison Information listed in the foregoing table of contents are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules described in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

Karren Hendrix Stagg Allen & Company

Karren, Hendrix, Stagg, Allen & Company
June 19, 2006

CERTIFIED PUBLIC ACCOUNTANTS

SUMMIT MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis December 31, 2005

Summit Mosquito Abatement District's management presents to the readers of its financial statements this narrative information. It contains an overview and analysis of the financial position and results of operations as of and for the twelve months ended December 31, 2005. As management of the District, we encourage readers to consider information contained in this discussion.

FINANCIAL HIGHLIGHTS

The net assets of Summit Mosquito Abatement District exceeded its liabilities at the end of the current fiscal year by \$606,444 (net assets). Of this amount, \$562,702 (unrestricted assets) is available to meet ongoing obligations to citizens and creditors. Net assets increased by \$179,431.

The District's governmental funds reported a combined ending fund balance of \$444,918. Of the combined total fund balance, \$263,761 is available for spending at the discretion of the District (unreserved and undesignated fund balance).

The unreserved and undesignated fund balance of the general fund at December 31, 2005, totaled \$263,761 and is 63% of the general fund total revenues for the year. The District has no long-term debt.

The district has changed operations from the North Summit area to Summit County wide. This change was financed by county wide assessment of property taxes and is the first year that taxes were received from the entire county. The tax rate for the North Summit area went down in relation to the county wide rate.

The Utah Department of Agricultural provided a grant of \$25,000 for purchase of vehicles and equipment.

The District is planning a building expansion for the 2006 year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to Summit Mosquito Abatement District's basic financial statements: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains information, in addition to the basic financial statements, that will help the reader gain a more in-depth understanding of the District.

Government-wide Financial Statements give readers a broad overview of the entire District's financial position and changes in financial position, similar to consolidated financial statements in a private sector business. These statements consist of the Statement of Net Assets and the Statement of Activities.

The statement of net assets shows Summit Mosquito Abatement District's entire assets and liabilities with the difference shown as net assets. Increases or decreases over time in net assets give an indicator as to whether the financial condition of Summit Mosquito Abatement District is improving or declining.

The statement of activities shows the changes to net assets that occurred during the most recent fiscal year. These changes are recorded on an accrual basis when the underlying event that causes the change occurs, regardless of when the cash transaction takes place.

Both of the government-wide financial statements distinguish between activities that are largely supported by taxes and intergovernmental revenues and those whose operations are entirely or largely financed by user charges and fees. The governmental activities for Summit Mosquito Abatement District include mosquito abatement activities.

The government-wide financial statements include Summit Mosquito Abatement District itself and no component units. The government-wide financial statements are found immediately following this discussion and analysis.

Fund Financial Statements are a set of closely related accounts that are used to maintain control over resources that have been segregated for specific activities or purposes. Summit Mosquito Abatement District, like other state and local governments, uses fund accounting to demonstrate compliance with finance-related legal requirements. All of the District's funds are categorized as governmental funds.

Governmental funds account for essentially the same activities as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental funds concentrate on near-term inflows and outflows of financial resources and the balances of spendable resources available to the government at the end of the fiscal year. This information can be useful in evaluating the government's short term financing requirements.

Comparing similar information presented in the government-wide statements for the governmental activities with that presented in governmental funds statements can provide useful information because of the different focus of the two approaches. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance show reconciliation between the governmental funds statements to the governmental activities in the government-wide statements, to aid in the comparison.

Summit Mosquito Abatement District uses two different individual government funds. Of this number, information is shown separately for the general and capital improvements fund, both of which are deemed major funds. The District adopts an annual appropriated budget for all its governmental funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

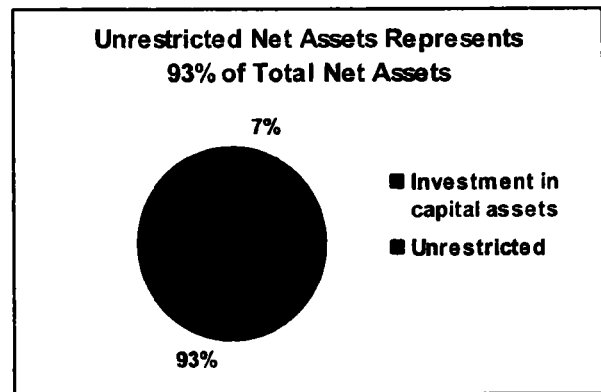
Notes to the Financial Statements contain additional information important to a complete understanding of the information contained in the government-wide and fund financial statements. Notes to the financial statements are located after the statements for major funds as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

SUMMIT MOSQUITO ABATEMENT DISTRICT'S NET ASSETS

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Current assets	\$ 458,032	\$ 289,198
Capital assets	43,743	21,637
Other assets	<u>111,240</u>	<u>117,783</u>
Total assets	<u>\$ 613,015</u>	<u>\$ 428,618</u>
Current liabilities	\$ 6,571	\$ 1,335
Total liabilities	<u>6,571</u>	<u>1,335</u>
Net assets		
Investment in capital assets, net of related debt	43,743	21,367
Unrestricted	<u>562,701</u>	<u>405,646</u>
Total net assets	<u>606,444</u>	<u>427,013</u>
Total liabilities and net assets	<u>\$ 613,015</u>	<u>\$ 428,348</u>

By far, the largest component of Summit Mosquito Abatement District's net assets is its unrestricted net assets. The 93% of total net assets represents the District's unrestricted net assets. Summit Mosquito Abatement District uses these assets to provide services to citizens who live, work, pass through, or benefit in other ways from the District. By their nature, these assets are available for future spending.



	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
REVENUES		
Charges for services	\$ 3,361	\$ 3,503
Operating grants and contributions	25,000	22,500
General revenues:		
Property taxes, levied for general purpose	385,970	206,178
Investment earnings	5,100	3,631
Total revenues	<u>419,431</u>	<u>235,812</u>
EXPENSES		
Mosquito abatement	<u>240,000</u>	<u>174,176</u>
Total expenses	<u>240,000</u>	<u>174,176</u>
CHANGES IN NET ASSETS	179,431	61,636
NET ASSETS, JANUARY 1	<u>427,013</u>	<u>365,377</u>
NET ASSETS, DECEMBER 31	<u>\$ 606,444</u>	<u>\$ 427,013</u>

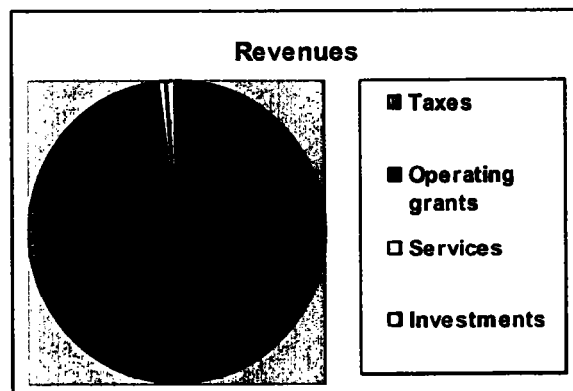
GOVERNMENTAL ACTIVITIES

Governmental activities net assets increased by \$179,431 for the year ended December 31, 2005. The major reason for the increase resulted from the District's increased property taxes for the county wide expanded area of coverage.

FINANCIAL ANALYSIS OF SUMMIT MOSQUITO ABATEMENT DISTRICT'S FUNDS

Summit Mosquito Abatement District's governmental funds provide information on the short-term resource inflows and outflows and account balances at the end of the fiscal year. The total fund balance is a measure of total available resources. The unreserved portion of this total fund balance is a measure of the available resources at December 31, 2005.

The general fund is the main operating fund for Summit Mosquito Abatement District. At December 31, 2005, the general fund's unreserved fund balance was \$263,761. Total fund balance of the general fund for Summit Mosquito Abatement District decreased by \$161,175. A useful measure of liquidity is to compare the unreserved fund balance and the total fund balance to expenditures (including operating transfers out) for the year.



The capital projects fund had a total fund balance of \$181,157 at December 31, 2005, all of which is designated for other purposes. The net decrease in fund balance for the year amounted to \$2,423.

GENERAL FUND BUDGETARY HIGHLIGHTS

There is no difference between the original and final amended budgets for the general fund or the capital improvements fund.

CAPITAL ASSET

Summit Mosquito Abatement District's investment in capital assets for its governmental activities combined, totaled \$73,835 (net of \$30,092 accumulated depreciation) at December 31, 2005. Types of assets included in this category are vehicles and major capital asset activities that occurred during the past fiscal year as follows:

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Vehicles	\$ 67,500	\$ 45,500
Equipment	6,335	-
Accumulated depreciation	<u>(30,092)</u>	<u>(24,133)</u>
Net book value	<u>\$ 43,743</u>	<u>\$ 21,367</u>

Additional information on Summit Mosquito Abatement District's capital assets and debt can be found in Note 2 in the Notes to the District's Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The economy for Summit has improved over last year. This is consistent with the nationwide decrease in unemployment rates as the economy continues to recover. Currently, Summit Mosquito Abatement District is experiencing a similar economic pick-up consistent with the rest of the nation. The District expended operations this year end will serve all of Summit County.

REQUEST FOR INFORMATION

This financial report is designed to give its readers a general overview of Summit Mosquito Abatement District's finances. Questions regarding any information contained in this report or requests for additional financial information should be addressed to Summit Mosquito Abatement District, P.O. Box 523 Coalville, Utah, 84017.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Statement of Net Assets December 31, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
CURRENT ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 379,225
Receivables:	
Property taxes	31,036
Inventory	41,228
Current portion prepaid expenses	6,543
Total current assets	<u>458,032</u>
Capital assets, net	
Vehicles	38,233
Equipment	5,510
Total property and equipment	<u>43,743</u>
Other non-current assets	
Prepaid expenses	111,240
Total other noncurrent assets	<u>111,240</u>
Total assets	<u><u>\$ 613,015</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
CURRENT LIABILITIES	
Accounts payable	\$ 6,571
Total current liabilities	<u>6,571</u>
Total liabilities	<u>6,571</u>
NET ASSETS	
Investment in capital assets, net of related debt	43,743
Unrestricted	562,701
Total net assets	<u>606,444</u>
Total liabilities and net assets	<u><u>\$ 613,015</u></u>

The accompanying notes are an integral part of this statement.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Statement of Activities
Year Ended December 31, 2005

	Net (Expense) Revenue and Changes in Net Assets				Primary Government
	Program Revenues				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Government Activities
<u>FUNCTIONS AND PROGRAMS</u>					
PRIMARY GOVERNMENT					
Government activities					
Mosquito abatement	\$ 240,000	\$ 3,361	\$ 25,000	\$ -	\$ (211,639)
Total government activities	<u>240,000</u>	<u>3,361</u>	<u>25,000</u>	<u>-</u>	<u>(211,639)</u>
Total primary government	<u>\$ 240,000</u>	<u>\$ 3,361</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>(211,639)</u>
General revenues					
Property taxes					385,970
Investment earnings					5,100
Total general revenues					<u>391,070</u>
Changes in net assets					179,431
NET ASSETS, JANUARY 1, 2005					<u>427,013</u>
NET ASSETS, DECEMBER 31, 2005					<u>\$ 606,444</u>

The accompanying notes are an integral part of this statement.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Balance Sheet Governmental Funds December 31, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
ASSETS			
Cash and cash equivalents	\$ 198,069	\$ 181,156	\$ 379,225
Receivables			
Property, franchise, and excise tax	31,036	-	31,036
Inventory	41,228	-	41,228
Total assets	<u>\$ 270,333</u>	<u>\$ 181,156</u>	<u>\$ 451,489</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 6,571	\$ -	\$ 6,571
Accrued liabilities	-	-	-
Total liabilities	<u>6,571</u>	<u>-</u>	<u>6,571</u>
FUND BALANCES			
Unreserved - designated for capital improvements	-	181,156	181,156
Reserved for inventory	41,228	-	41,228
Unreserved and undesignated	222,534	-	222,534
Total fund balances	<u>263,762</u>	<u>181,156</u>	<u>444,918</u>
Total liabilities and fund balances	<u>\$ 270,333</u>	<u>\$ 181,156</u>	<u>\$ 451,489</u>

The accompanying notes are an integral part of this statement.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds To the Statement of Net Assets December 31, 2005

Total Fund Balance		\$ 444,918
Total net assets reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Vehicles	73,835	
Less accumulated depreciation	<u>(30,092)</u>	
Total capital assets		43,743
Prepaid expenses are recorded as assets on the government wide statements, and expenditures on the individual funds		<u>117,783</u>
Total net assets of governmental activities		<u>\$ 606,444</u>

The accompanying notes are an integral part of this statement.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended December 31, 2005

	General	Capital Projects	Totals
REVENUES			
General property taxes	\$ 385,970	\$ -	\$ 385,970
Interest	2,678	2,423	5,101
Intergovernmental	25,000	-	25,000
Charges for services	3,361	-	3,361
Total revenues	<u>417,009</u>	<u>2,423</u>	<u>419,432</u>
EXPENDITURES			
Current			
Mosquito abatement			
Salaries and benefits	138,628	-	138,628
Other operating expenses	81,003	-	81,003
Capital outlay	36,203	-	36,203
Total expenditures	<u>255,834</u>	<u>-</u>	<u>255,834</u>
Revenues over expenditures	<u>161,175</u>	<u>2,423</u>	<u>163,598</u>
OTHER FINANCING SOURCES			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Revenue and other sources over expenditures and other uses	<u>161,175</u>	<u>2,423</u>	<u>163,598</u>
FUND BALANCE, JANUARY 1, 2005	<u>102,586</u>	<u>178,734</u>	<u>281,320</u>
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 263,761</u>	<u>\$ 181,157</u>	<u>\$ 444,918</u>

The accompanying notes are an integral part of this statement.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Funds Balance - Governmental Funds to the Statement of Activities Year Ended December 31, 2005

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 163,598
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$28,335) is more than depreciation expense (\$5,959).	22,376
Prepaid expenses are expensed in the governmental fund statement and amortized in the government wide statement	<u>(6,543)</u>
Change in net assets of governmental activities	<u>\$ 179,431</u>

The accompanying notes are an integral part of this statement.

SUMMIT MOSQUITO ABATEMENT DISTRICT

Notes to the Financial Statements December 31, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

History and Organization

The Summit Mosquito Abatement District is a special taxing district that provides control of mosquitoes by a compressive program of water management and source reduction in all of Summit County. The District is a political subdivision of the State of Utah. It is governed by a four member board of trustees which is appointed by Summit County.

Financial Reporting Entity

For financial reporting purposes, the reporting entity includes all funds, agencies, and authorities for which the District holds corporate powers. The Governmental Accounting Standards Board (GASB) in its Statement No. 14, *The Financial Reporting Entity*, has established criteria to consider in determining financial accountability. The criteria are: appointment of a majority of the voting members of an organization's governing board, and either (1) the District has the ability to impose its will on the organization or (2) there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the District.

As required by Generally Accepted Accounting Principles (GAAP) these financial statements represent Summit Mosquito Abatement District, the primary government. The District is a legally separate entity which possesses the powers to tax property. The County exercises no significant controlling powers over the District. As such, the District is not a component unit as defined by the Governmental Accounting Standards Board in their statement number 14, *The Financial Reporting Entity*. Further, as defined in this statement, the District has no component units which should be included in the accompanying financial statements. The District has not created any separate political subdivisions, nor does it exercise any political or financial control over any other entity.

Basis of Presentation – Government-Wide and Fund Financial Statements

Government-wide statements are comprised of the statement of net assets and the statement of activities. They contain information on all of the activities of the primary government. Most effects of inter-fund activities have been eliminated from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities is presented to show the extent that program revenues of a given activity support direct expenses. Direct expenses are those that can clearly be associated with a particular activity or program. Program revenues are: (1) charges to customers or others who purchase, use, or directly benefit from the services or goods provided by a given activity, or (2) grants or other contributions that are restricted to operations or capital needs of a specific activity. General revenues are those revenues, like taxes and other items that are not properly reported as program revenues. Indirect expense allocated between departments is related to depreciation on assets. The depreciation expense is allocated based on the use of the asset by the departments.

Major individual governmental funds are reported in separate columns in the governmental funds statements. Major funds are the general funds which are the main operations funds of the District, and the capital improvements fund that accounts for major capital improvements.

Measurement Focus and Basis of Accounting

Measurement focus refers to the types of assets that appear on the statement of net assets, and changes to those same assets that appear on the statement of activities. The flow of financial resources measurement focus shows current assets and liabilities on the statement of net assets,

and changes to net current assets in the statement of activities. The flow of economic resources measurement focus shows total assets and liabilities on the statement of net assets, and changes to net assets on the statement of activities. Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements.

Government-Wide Statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized in the period incurred, regardless of the timing of the related cash flows. Property taxes are recorded as revenues in the year for which they are levied. Grants and similar other contributions are recognized as revenue as soon as the eligibility requirements of the provider have been met.

Governmental Fund Statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. "Available" means that amounts are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. As a practical matter, Summit Mosquito Abatement District uses 60 days as a cutoff for meeting the available criterion. Property taxes are considered "measurable" when levied and "available" when collected and held by Summit County. Any amounts not available are recorded as deferred revenue. Other revenues that are determined to be susceptible to accrual include grants earned and charges for services, and assessments. Property taxes and assessments are recorded as receivables when levied or assessed. Revenues collected in advance are deferred and recognized in the period to which they apply.

Revenues that are determined to not be susceptible to accrual because they are either not available soon enough to pay liabilities of the current period (60 days), or are not objectively measurable, include miscellaneous revenues. Revenue is recognized when cash is received.

Expenditures

Expenditures are recognized in the accounting period in which the fund liability is incurred. Insecticides and supplies are stated at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are accounted for using the consumption method. Purchases are recorded as assets when purchased, then expensed when consumed.

Summit Mosquito Abatement District has two major governmental funds; the general fund and the capital projects fund. The general fund is the main operating fund, and accounts for all financial resources of the general government, except for those required to be accounted for in another fund. The capital projects fund accounts for resources dedicated to the construction or improvement of capital assets. These constructed or improved capital assets are for the benefit of any or all governmental funds.

Budgets and Budgetary Accounting

Budgets are legally required for governmental funds. Annual budgets are prepared and adopted by the District Council on or before December 15 for the fiscal year commencing the following January 1 in accordance with Utah State Law. The operating budget includes proposed expenditures and the proposed sources of financing for such expenditures. Prior to December 15, a public hearing is conducted to obtain taxpayer input. Budgets are adopted by ordinance for the District. Expenditures cannot exceed appropriations. Management can move budgeted amounts from one line item to another within a department or decrease appropriations. The District Council can increase appropriations after holding a public hearing.

The governmental funds budget is prepared using the modified accrual basis of accounting. Governmental appropriations lapse at year-end.

Cash and Investments

The District complies with GASB Statement No. 31 *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The statement requires certain investments to be reported at fair value, and the change in fair value to be included in revenues or expenses. The District's policy is to report all investments at value and the change in fair value to be included in revenues or expenses. The District's investment in the State Treasurer's Pool has a fair value equivalent to the value of the pool shares. This pool is administered by the State of Utah and is regulated by the Money Management Council under provisions of the Utah State Money Management Act.

Depreciable Fixed Assets

Fixed assets are valued at historical cost, or estimated historical cost for assets, where actual historical cost was not available. Donated fixed assets are valued at their estimated fair market value on the date donated. The District has a capitalization threshold of \$500 for all assets. Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Equipment	5
Vehicles	5

Property Taxes

Ad valorem (based on value) property taxes constitute a major source of general fund revenue. Taxes are levied through the passage of an ordinance in December of each year. The levy is applicable to only one year. All taxable property is required to be assessed and taxed at a uniform and equal rate on the basis of its fair market value. The Summit County Assessor is required to assess all other taxable property, and both entities are required to assess the respective types of property as of January 1, the assessment date. The County is then required to complete the tax rolls by May 15. By July 21, the County Treasurer is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. Approved changes in assessed value are made by the County Auditor by November 1. On this same date the Auditor is to deliver the completed assessment rolls to the County Treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a penalty. Unless the delinquent taxes and penalties are paid before January 15, a lien is attached to the property. The amount of taxes and penalties bear interest from January 1 until paid. If after five years, delinquent taxes have not been paid, the County sells the property at a tax sale. Tax collections are remitted to the District from the County on a monthly basis.

Inter-fund Transactions

In the normal course of its operations, the District has various transactions between funds. Transfers are recognized as operating transfers in and out, respectively, by the funds receiving and providing the transfer.

Use of Restricted Funds

The District has funds with various restrictions. When an expense is incurred, which meets the requirements to release the restriction, such restricted funds are first used to satisfy the expense followed by any unrestricted funds needed to satisfy the expense.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the general and capital

projects funds. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Prepaid Lease Expense

The government made a capital outlay for a prepaid lease payment. The full payment is expensed as a capital overlay for governmental funds and a proposed rent for government wide statements. The prepaid portion is amortized on a straight line basis over the life of the lease.

2. CAPITAL ASSETS

The following schedule summarizes the changes in capital assets for governmental type activities during the year ended December 31, 2005.

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
<u>PRIMARY GOVERNMENT</u>				
GOVERNMENTAL ACTIVITIES				
Depreciated assets				
Vehicles	\$ 45,500	\$ 22,000	\$ -	\$ 67,500
Equipment	-	6,335	-	6,335
Total depreciated assets	<u>45,500</u>	<u>28,335</u>	<u>-</u>	<u>73,835</u>
Less accumulated depreciation				
Vehicles	(24,133)	(5,133)		(29,266)
Equipment	-	(826)	-	(826)
Total Accumulated depreciation	<u>(24,133)</u>	<u>(5,959)</u>	<u>-</u>	<u>(30,092)</u>
Total governmental activities	<u>\$ 21,367</u>	<u>\$ 22,376</u>	<u>\$ -</u>	<u>\$ 43,743</u>

	<u>Governmental Types</u>
DEPRECIATION EXPENSE	
Function	
Mosquito abatement	<u>\$ 5,959</u>
Total	<u>\$ 5,959</u>

3. CASH AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. In addition, investments are separately held by several of the District's funds. Cash and investments as of December 31, 2005, are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	<u>\$ 379,225</u>

Cash investments and cash equivalents as of December 31, 2005, consist of the following:

Deposits with financial institutions	\$ 8,412
Investments, State Treasurer	<u>370,813</u>
Total cash and cash equivalents	<u>\$ 379,225</u>

Investments Authorized

The District follows the Utah Money Management Act in handling its depository and temporary investment transactions.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF, and details the type of authorized investments it makes. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

As of December 31, 2005, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1 Year</u>	<u>1 - 10 Years</u>	<u>More Than 10 Years</u>
State of Utah Public Treasurer Investment Fund	<u>\$ 370,813</u>	<u>\$ 370,813</u>	<u>\$ -</u>	<u>\$ -</u>
Total investments	<u>\$ 370,813</u>	<u>\$ 370,813</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that occurs when changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. The act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The district reduces its interest rate risk by investing funds with the State Treasurer.

Credit Risk

Credit risk is the risk that an issuer, or other counterparty to an investment, will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to invest in the Utah Public Treasurer's Investment Fund, which was unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing the risk of loss is to invest in the Utah Public Treasurer's Investment Fund which has no concentration of credit risk.

Custodial Credit Risk Deposits

For deposits, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its deposits that are in the possession of an outside party. The District does not have a formal policy of custodial credit risk. As of December 31, 2005, \$370,812 of the \$379,225 balance of deposits was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment in the Utah Public Treasurer Investment Fund has no custodial credit risk.

4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, property damage, errors, omissions, injuries, and natural disasters. The District has purchased comprehensive general liability insurance. The District pays premiums for general insurance coverage, automobile liability, and personal injury protection.

5. TOTAL COLUMNS

Total columns on the governmental fund statements are captioned "Total" and are presented to facilitate financial analysis. Data in these columns do not represent consolidated information since interfund eliminations have not been made.

6. PREPAID RENT

The District made a prepaid lease for rental of a building. The agreement is with Summit County, who retains ownership of the building. The lease is classified as an operating lease, and the prepayment is amortized at \$6,543 per year over the twenty year lease for the government wide statement. The amount was expensed as capital outlay in the governmental fund statement in the year the prepayment was made.

7. UNEMPLOYMENT INSURANCE

The District pays actual claims on unemployment. The amounts are paid if an employee files a claim against the District. At the end of field work no claims have been filed against the District.

REQUIRED SUPPLEMENTARY INFORMATION

SUMMIT MOSQUITO ABATEMENT DISTRICT

Budgetary Comparison Schedule General Fund Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Favorable
	Original	Final	Budgetary	(Unfavorable)
			Basis	Variance with
				Final Budget
REVENUES				
General property taxes	\$ 350,000	\$ 350,000	\$ 385,970	\$ 35,970
Interest	800	800	2,678	1,878
Intergovernmental	2,250	2,250	25,000	22,750
Charges for services	3,500	3,500	3,361	(139)
Total revenues	<u>356,550</u>	<u>356,550</u>	<u>417,009</u>	<u>60,459</u>
EXPENDITURES				
Mosquito abatement				
Salaries and benefits	160,000	160,000	138,628	21,372
Other operating expenses	116,787	116,787	81,003	35,784
Capital outlay	62,250	62,250	36,203	26,047
Debt Service	17,513	17,513	-	17,513
Total expenditures	<u>356,550</u>	<u>356,550</u>	<u>255,834</u>	<u>100,716</u>
Excess of revenues over expenditures (usage of fund balance)	<u>-</u>	<u>-</u>	<u>161,175</u>	<u>161,175</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	161,175	161,175
FUND BALANCE, JANUARY 1, 2005	<u>102,586</u>	<u>102,586</u>	<u>102,586</u>	<u>-</u>
FUND BALANCE, DECEMBER 31, 2005	<u>\$ 102,586</u>	<u>\$ 102,586</u>	<u>\$ 263,761</u>	<u>\$ 161,175</u>

SUPPLEMENTARY INFORMATION

SUMMIT MOSQUITO ABATEMENT DISTRICT

Budgetary Comparison Schedule

Capital Improvement Fund

For the Year Ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Budgetary Basis	
REVENUES				
Interest earnings	\$ 2,670	\$ 2,670	\$ 2,423	\$ (247)
Total revenues	<u>2,670</u>	<u>2,670</u>	<u>2,423</u>	<u>(247)</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures (usage of fund balance)	<u>2,670</u>	<u>2,670</u>	<u>2,423</u>	<u>(247)</u>
OTHER FINANCES SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,670	2,670	2,423	(247)
FUND BALANCE, JANUARY 1, 2004	<u>178,734</u>	<u>178,734</u>	<u>178,734</u>	<u>-</u>
FUND BALANCE, DECEMBER 31, 2004	<u>\$ 181,404</u>	<u>\$ 181,404</u>	<u>\$ 181,157</u>	<u>\$ (247)</u>



KARREN | HENDRIX | STAGG | ALLEN
COMPANY

A Professional Corporation

Duane C. Karren, CPA

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Danny L. Hendrix, CPA

Terry L. Green, CPA

G. John Runia, CPA

Robert L. Archuleta, CPA

Tim C. Rees, CPA

AUDITORS' OPINION ON STATE COMPLIANCE

To the Board of trustees
Summit Mosquito Abatement District
Coalville, Utah 84017

We have audited the basic financial statements of Summit Mosquito Abatement District, for the year ended December 31, 2005, and have issued our report thereon dated June 19, 2006. Our audit included test work on the District's compliance with those general compliance requirements identified in the Compliance Manual for Audits of Local Governments in Utah including:

Public Debt
Cash Management
Other Compliance Requirements
Purchasing Requirements
Budgetary Compliance

Truth in Taxation and Property Tax Limitations
Special Districts

The District did not receive any major or non-major state grants during the year ended December 31, 2005. The management of Summit Mosquito Abatement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Summit Mosquito Abatement District complied, in all material respects, with the general compliance requirements identified above for year ended December 31, 2005.

This report is intended for the use of Summit Mosquito abatement District's management, Board of Trustees, and applicable federal and state agencies. However this report is a matter of public record and its distribution is not limited.

Karren Hendrix Stagg Allen & company

Karren, Hendrix, Stagg, Allen & Company
June 19, 2006

CERTIFIED PUBLIC ACCOUNTANTS



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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
Summit Mosquito Abatement District
Coalville, Utah 84017

We have audited the basic financial statements of Summit Mosquito Abatement District as of and for the year ended December 31, 2005, and have issued our report thereon dated June 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated June 19, 2006.

This report is intended solely for the information and use of the Board of Trustees, management, others within the organization, and various federal and state funding and auditing agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Karren Hendrix Stagg Allen & Company

Karren, Hendrix, Stagg, Allen & Company
June 19, 2006

CERTIFIED PUBLIC ACCOUNTANTS